

UNION PACIFIC RAILROAD COMPANY

1416 DODGE STREET
ROOM 830
OMAHA, NEBRASKA 68179-0001
FAX (402) 271-5610



FILE

August 14, 1998

FAX AND U.S. MAIL

Mr. Thomas W. Swegle
U.S. Department of Justice
Environmental and Natural Resources Division
1425 New York Avenue, N.W.
Washington, D.C. 20005
FAX: 202-514-4180

Mr. Curt Fransen
Deputy Attorney General's Office
1118 Ironwood Parkway
Coeur d'Alene, ID 83815
FAX: 208-666-6777

Mr. Howard Funke
Givens, Funke & Work
424 Sherman Street, Suite 306
Coeur d'Alene, ID 83814
FAX: 208-667-4695

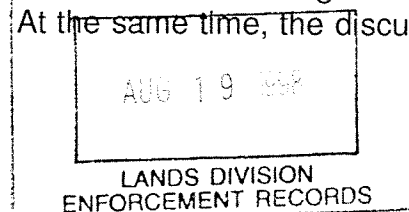
Mr. Cliff Villa
Office of Regional Counsel
USEPA Region 10
1200 6th Avenue
Seattle, WA 98101
FAX: 206-553-0163

Re: Wallace Branch Trail Negotiations

Gentlemen:

We appreciate the time and effort put into our meeting of August 4, 1998. Although the meeting itself did not bring about the resolution of remaining issues, the information exchange was helpful to Union Pacific. At the same time, the discussions

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provided us with a better understanding of the Trustees' position on various issues. During the meeting, it became apparent that all parties may not have fully understood Union Pacific's current proposal for settlement. In an attempt to assist negotiations, we are providing the following clarifications and modifications to the proposal discussed at the meeting. The discussion is organized by the major topics of our meeting.

Trail Amenities: Union Pacific has considered discussions from the July technical meeting, as well as the August 4 meeting, and has come to the conclusion that the basic amenities defined in Tables 1 and 2 (attached), along with prior offer of \$100,000 for upgrade of existing amenities, are appropriate for the safe operation of the trail and performance of the remedy and, as such, represent the scope of our offer. Table 1 identifies the locations of oases, trail heads and stop and view areas, as well as the amenities associated with each of these areas. Table 2 specifies the signage, fencing and other control features that are being offered. The amenities described in Tables 1 and 2 represent an increase over those amenities proposed in the Amended Good Faith Offer. It is our view that any amenities, beyond those described in Tables 1 and 2, would only serve to enhance the recreational aspects of the trail and should not be included as part of Union Pacific's response.

NRD: At the recent meeting, Union Pacific stated that it would contribute an additional \$1,000,000 toward settlement of several outstanding issues, including additional amenities. Application of that money solely to the issue of NRD, along with the \$350,000 provided for in the Amended Good Faith Offer would raise Union Pacific's cash offer for settlement of NRD claims to \$1,350,000. It is Union Pacific's position that the cost of trail construction and the restoration it represents is an important element of the NRD settlement. However, recognizing the Trustees' position on the value of a basin-wide release for future NRD claims and the need to reach a timely closure on the negotiations, Union Pacific is willing to increase its NRD cash settlement offer by \$400,000 to a total of \$1,750,000. The Trustees need to recognize that funds devoted to settlement of the NRD claim are funds that are not available for any other element of the response, trail construction, operation or maintenance.

O&M: As presented at the meeting, Union Pacific has offered an additional \$1,000,000 for trail O&M, in conjunction with the Trustees assuming responsibility for routine protective barrier maintenance. This increases the previous offer of \$2,000,000 (\$1,000,000 of which would be from ISTEA funds) to \$3,000,000 total. In addition, Union Pacific has offered to resurface the paved portion of the trail one time within the first 20 years following construction. Union Pacific believes that \$3,000,000 along with the repaving provision, together with the retention of responsibility for flood damage repair as described in the next paragraph, is adequate to fund trail O&M and administration in excess of ten years.

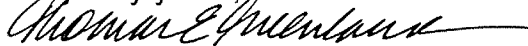
With regard to catastrophic failures of the trail or barrier system, Union Pacific is still willing to take on that responsibility for a defined period of time. In our recent written offer, the duration of responsibility for catastrophic failure was limited to 20 years. In order to address some of the concerns raised at our meeting, Union Pacific is willing to increase that period of responsibility from 20 to 30 years. Union Pacific believes that the repaving provision and the extension of responsibility for catastrophic failure for another ten years should address the Tribe's and State's concerns about future financial risk.

The above offers are made subject to reaching agreement in principle on all elements of response actions including trail design, barrier placement, operation and maintenance, as well as principal consent decree terms without further cost to Union Pacific. Union Pacific recognizes that clarification and additional detail will come from the response action design process and public participation.

Finally, with regard to disposal of ROW materials in the CIA, Union Pacific appreciates the efforts of all parties to consider flexibility in the closure schedule and to identify alternative disposal sites. Union Pacific's technical representatives will work with the Trustees' and EPA's representatives on the disposal issue over the next several weeks. We will work with EPA, the State and the ACOE to fully understand the closure sequence and schedule of the CIA to determine if all ROW materials could be accommodated within that schedule. It should be understood, however, that the ability of Union Pacific to make this offer is contingent upon the availability of a permanent disposal site within the basin that will not add significant cost to the project. Assuming agreement can be reached and the EE/CA process completed in a timely manner, Union Pacific will make every reasonable effort to conduct the necessary ballast removals and tie disposals consistent with the CIA closure schedule. The assistance of the Trustees and EPA to identify and secure backup disposal remains an essential element of an agreement in principle and consent decree.

We recognize that some details will need to be worked out regarding this offer; however, we trust that these clarifications and further amendments to Union Pacific's Good Faith Offer will allow a settlement to be reached in the near future and can serve as the basis for an agreement in principle between the parties. Please contact me with any questions you may have regarding this correspondence.

Very truly yours,



Thomas E. Greenland
Environmental Counsel
(402) 271-4634

TEG:sla

e 1
SUMMARY OF OASIS, TRAIL, AND STOP & VIEW AMENITIES
WALLACE-MULLAN BRANCH

Location			Amenities					
Description	M.P.	Designation	Parking # of Stalls/ Surface	Toilet Type	Shade Shelter	Picnic Tables	Park Benches	Bike Rack
Plummer Creek	18.0	Oasis		Composl		2	3	1
O'Gara Bay	26.5	Oasis		Composl	1	2	3	1
Harrison Siding	30.5	Oasis		Composl	1	2	3	1
Springston Siding	33.9	T.H.	10 / Gr.				2	
Springston	34.4	Oasis		Composl		2	3	1
Springston - Medimont	2 loc'ns *	S & V				2	2	
Medimont	41.3	T.H. / Oasis	12 / Gr.	Compost		2	3	1
Lane Siding	45.1	Oasis		Composl		2	3	1
Rose Lake	49.1	Oasis	Existing	Composl		2	3	1
Rose Lake - Cataldo	4 loc'ns *	S & V				4	4	
Dudley Heights	54.0	Oasis		Composl		2	3	1
Cataldo	57.5	T.H. / Oasis	10 / Gr.	Composl		2	2	1
Cataldo - Enaville	4 loc'ns *	S & V				4	4	
Enaville	62.6	T.H.	10 / Gr.			2	2	
Shoni	72.8	T.H.	20 / Pv			2	2	
Osburn Siding	75.8	T.H.	10 / Pv.		1	2	2	
Wallace	80.0	T.H.	30 / Pv.			2	2	
West Mullan	6.4	T.H.	20 / Pv.			2	2	
Totals			9	9	3	38	48	9

* The locations of the Stop & View (S & V) sites have not been specifically identified at this time. The number of locations in the reaches of the trail are as requested by the Trustee. The number of tables and benches shown for the respective reaches represents the aggregate for all locations within that reach.

T.H. - Trail Head Gr - Gravel M.P. - Mile post Pv - Asphalt Concrete Pavement

Table 2
SUMMARY OF FENCING & SIGNAGE
WALLACE-MULLAN BRANCH

Description	Unit of Measure	Quantity Req'd for Safety
Privacy Bushes / Trees (4' o/c)	Allowance	\$10,000
Safety Fencing (6' H, chain link)	Ft.	2,200
Livestock Fencing (3-strand)	Ft.	8,200
Bollards	Ea.	50
Signs		
- Trail Traffic Control	Ea.	143
- Road Traffic Control	Ea.	106
- Hazard Advisory	Ea.	125
- Misc. Advisory	Ea.	93
- Mile Marker	Ea.	72
- Regulatory	Ea.	254